

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
SAN LUIS WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM SAN LUIS UNIT AND DELTA DIVISION

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Exhibit A - Map of Contractor's Service Area

Exhibit B - Rates and Charges

1 UNITED STATES
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5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
6 AND
7 SAN LUIS WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM SAN LUIS UNIT AND DELTA DIVISION

10 THIS CONTRACT, made this ____ day of _____, 2005, in pursuance
11 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
12 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
13 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.
14 483), June 3, 1960 (74 Stat. 156), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263),
15 October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992
16 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE
17 UNITED STATES OF AMERICA, hereinafter referred to as the United States, and SAN LUIS
18 WATER DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of
19 California, duly organized, existing, and acting pursuant to the laws thereof;
20 WITNESSETH, That:

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EXPLANATORY RECITALS

[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries; and

[2nd] WHEREAS, the United States constructed the Delta Division Facilities, including the San Luis Unit facilities (which include the San Luis Canal and Dos Amigos Pumping Plant), which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

[3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant to California law for operation of the Project; and

[4th] WHEREAS, the Contractor and the United States entered into Contract No. 14-06-200-7773A, as amended , which established terms for the delivery to the Contractor of Project Water from January 1, 1975, through December 31, 2008, hereinafter referred to as the Existing Contract; and

[4.1] WHEREAS, the Existing Contract originally provided that the Contracting Officer would make available for delivery to the Contractor 128,000 acre-feet of Project Water for irrigation and M&I purposes each year, but was subsequently revised by mutual agreement of the Contracting Officer and the Contractor to provide that the Contracting Officer would make available for delivery

42 to the Contractor 125,080 acre-feet of Project Water for irrigation and M&I purposes each year; and

43 [5th] WHEREAS, the United States and the Contractor have pursuant to Subsection
44 3404(c)(3) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into a
45 binding agreement identified as Binding Agreement No. 14-06-200-7773A-BA, which sets out the
46 terms pursuant to which the Contractor agreed to renew the Existing Contract before the expiration
47 date after completion of the Programmatic Environmental Impact Statement (PEIS) and other
48 appropriate environmental documentation and negotiation of a renewal contract; and which also sets
49 out the consequences of a subsequent decision not to renew: and

50 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal the
51 Existing Contract following completion of appropriate environmental documentation, including a
52 PEIS pursuant to the National Environmental Policy Act (NEPA) analyzing the direct and indirect
53 impacts and benefits of implementing the CVPIA and the potential renewal of all existing contracts
54 for Project Water; and

55 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
56 environmental review necessary to provide for long-term renewal of the Existing Contract; and

57 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
58 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of the
59 State of California, for water service from the Project; and

60 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
61 its obligations under the Existing Contract; and

62 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
63 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
64 beneficial use and expects to utilize fully for reasonable and beneficial use the quantity of Project
65 Water to be made available to it pursuant to this Contract; and

66 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
67 agricultural areas within California for more than 50 years, and is considered by the Contractor as an
68 essential portion of its water supply; and

69 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
70 depend upon the continued availability of water, including water service from the Project; and

71 [12.1] WHEREAS, the United States Court of Appeals for the Ninth Circuit has held that
72 Section 1(a) of the San Luis Act, Public Law 86-488, 74 Stat. 156, imposes on the Secretary a duty to
73 provide drainage service to the San Luis Unit; and

74 [12.2] WHEREAS, the Contractor and the Contracting Officer recognize that adequate
75 drainage service is required to maintain agricultural production within certain areas served with
76 Project Water made available under this Contract and all renewals thereof; and

[12.3] WHEREAS, the Contracting Officer intends, to the extent appropriated funds are
available, to develop and implement effective solutions to drainage problems in the San Luis Unit; and

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78 [12.4] WHEREAS, the Contracting Officer and the Contractor acknowledge: that such
79 drainage solutions may involve actions not originally contemplated and/or the construction or use of
80 facilities other than the San Luis Drain; that the Contractor is investing in drainage solutions for lands

81 within its boundaries that would be considered by the Contracting Officer in determine drainage
82 solutions; and that the existing ratesetting policy as it relates to the allocation and collection of
83 drainage costs may require amendment to recognize those investments by the Contractor and other
84 relevant circumstances; and

85 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships
86 to pursue measures to improve water supply, water quality, and reliability of the Project for all
87 Project purposes; and

88 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
89 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment
90 of the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
91 reasonable balance among competing demands for use of Project Water; and to comply with all
92 applicable environmental statutes, all consistent with the legal obligations of the United States
93 relative to the Project; and

94 [14.1] WHEREAS, the parties intend by this Contract to develop a more cooperative
95 relationship in order to achieve their mutual goals; and

96 [15th] WHEREAS, the Contractor has utilized or may utilize transfers, contract assignments,
97 rescheduling and conveyance of Project Water and non-Project water under this Contract as tools to
98 minimize the impacts of Conditions of Shortage and to maximize the beneficial use of water; and

99 [15.1] WHEREAS, the parties desire and intend that this Contract not provide a disincentive

100 to the Contractor in continuing to carry out the beneficial activities set out in the Explanatory Recital
101 immediately above; and

102 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
103 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

104 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein
105 contained, it is hereby mutually agreed by the parties hereto as follows:

106 DEFINITIONS

107 1. When used herein unless otherwise distinctly expressed, or manifestly incompatible
108 with the intent of the parties as expressed in this Contract, the term:

109 (a) "Calendar Year" shall mean the period January 1 through December 31, both
110 dates inclusive;

111 (b) "Charges" shall mean the payments required by Federal Reclamation law in
112 addition to the Rates and Tiered Pricing Component specified in this Contract as determined annually
113 by the Contracting Officer pursuant to this Contract;

114 (c) "Condition of Shortage" shall mean a condition respecting the Project during
115 any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract
116 Total;

117 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly
118 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or

119 regulation;

120 (e) "Contract Total" shall mean the maximum amount of water to which the
121 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

122 (f) "Contractor's Service Area" shall mean the area to which the Contractor is
123 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,
124 which may be modified from time to time in accordance with Article 35 of this Contract without
125 amendment of this Contract;

126 (g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title
127 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

128 (g.1) "Delta Division Facilities" shall mean those existing and future Project
129 facilities in and south of the Sacramento-San Joaquin Rivers Delta, including, but not limited to, the
130 Tracy Pumping Plant, the O'Neill Forebay, the O'Neill Pumping/Generating Plant, and the San Luis
131 Reservoir, used to divert, store and convey water to those Project Contractors entitled to receive
132 water conveyed through the Delta-Mendota Canal;

133 (h) "Eligible Lands" shall mean all lands to which Irrigation Water may be
134 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982 (96
135 Stat. 1263), as amended, hereinafter referred to as RRA;

136 (i) "Excess Lands" shall mean all lands in excess of the limitations contained in
137 Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal

138 Reclamation law;

139 (j) "Full Cost Rate" shall mean an annual rate, as determined by the Contracting
140 Officer that shall amortize the expenditures for construction properly allocable to the Project
141 irrigation or M&I functions, as appropriate, of facilities in service including all Operation and
142 Maintenance (O&M) deficits funded, less payments, over such periods as may be required under
143 Federal Reclamation law, or applicable contract provisions. Interest will accrue on both the
144 construction expenditures and funded O&M deficits from October 12, 1982, on costs outstanding at
145 that date, or from the date incurred in the case of costs arising subsequent to October 12, 1982, and
146 shall be calculated in accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full-Cost
147 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2 of
148 the Rules and Regulations for the RRA;

149 (k) "Ineligible Lands" shall mean all lands to which Irrigation Water may not be
150 delivered in accordance with Section 204 of the RRA;

151 (l) "Irrigation Full Cost Water Rate" shall mean the Full Cost Rate applicable to
152 the delivery of Irrigation Water;

153 (m) "Irrigation Water" shall mean water made available from the Project that is
154 used primarily in the production of agricultural crops or livestock, including domestic use incidental
155 thereto, and watering of livestock;

156 (n) "Landholder" shall mean a party that directly or indirectly owns or leases
157 nonexempt land, as provided in 43 CFR 426.2;

158 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water, other than

159 Irrigation Water, made available to the Contractor. M&I Water shall include water used for human
160 use and purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are
161 kept for personal enjoyment or water delivered to landholdings operated in units of less than five
162 acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use of
163 water delivered to any such landholding is a use described in subdivision (m) of this Article;

164 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to the
165 delivery of M&I Water;

166 (q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable
167 care, control, operation, repair, replacement (other than capital replacement), and maintenance of
168 Project facilities;

169 (r) "Operating Non-Federal Entity" shall mean the entity(ies), its (their)
170 successors or assigns, which has (have) the obligation to operate and maintain all or a portion of the
171 Delta Division Facilities pursuant to written agreement(s) with the United States. When this Contract
172 was

173 entered into, the Operating Non-Federal Entity(ies) was (were) the San Luis & Delta-Mendota Water
174 Authority and, with respect to San Luis Unit facilities, the California Department of Water
175 Resources;

176 (s) "Project" shall mean the Central Valley Project owned by the United States
177 and managed by the Department of the Interior, Bureau of Reclamation;

178 (t) "Project Contractors" shall mean all parties who have water service contracts

179 for Project Water from the Project with the United States pursuant to Federal Reclamation law;

180 (u) "Project Water" shall mean all water that is developed, diverted, stored, or
181 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance
182 with the terms and conditions of water rights acquired pursuant to California law;

183 (v) "Rates" shall mean the payments determined annually by the Contracting
184 Officer in accordance with the then current applicable water ratesetting policies for the Project, as
185 described in subdivision (a) of Article 7 of this Contract;

186 (w) "Recent Historic Average" shall mean the most recent five year average of the
187 final forecast of Water Made Available to the Contractor pursuant to this Contract or its preceding
188 contract(s);

189 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed
190 successor, or an authorized representative acting pursuant to any authority of the Secretary and
191 through any agency of the Department of the Interior;

192 (y) "Tiered Pricing Component" shall be the incremental amount to be paid for
193 each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

194 (z) "Water Delivered" or "Delivered Water" shall mean Project Water diverted for
195 use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

196 (aa) "Water Made Available" shall mean the estimated amount of Project Water
197 that can be delivered to the Contractor for the upcoming Year as declared by the Contracting Officer,
198 pursuant to subdivision (a) of Article 4 of this Contract;

199 (bb) "Water Scheduled" shall mean Project Water made available to the Contractor

200 for which times and quantities for delivery have been established by the Contractor and Contracting
201 Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

202 (cc) "Year" shall mean the period from and including March 1 of each Calendar
203 Year through the last day of February of the following Calendar Year.

204 TERM OF CONTRACT

205 2. (a) This Contract shall be effective March 1, 2005, through February 28, 2030,
206 and supercedes the Existing Contract . In the event the Contractor wishes to renew this Contract
207 beyond February 28, 2030, the Contractor shall submit a request for renewal in writing to the
208 Contracting Officer no later than two years prior to the date this Contract expires. The renewal of
209 this Contract insofar as it pertains to the furnishing of Irrigation Water to the Contractor shall be
210 governed by subdivision (b) of this Article, and the renewal of this Contract insofar as it pertains to
211 the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

212 (b) (1) Under terms and conditions of a renewal contract that are mutually
213 agreeable to the parties hereto, and upon a determination by the Contracting Officer that at the time
214 of contract renewal the conditions set forth in subdivision (b)(2) of this Article are met, and subject to
215 Federal and State law, this Contract, insofar as it pertains to the furnishing of Irrigation Water to the
216 Contractor, shall be renewed for a period of 25 years.

217 (2) The conditions which must be met for this Contract to be renewed are
218 (i) the Contractor has prepared a water conservation plan that has been determined by the Contracting
219 Officer in accordance with Article 26 of this Contract to meet the conservation and efficiency criteria
220 for evaluating such plans established under Federal law; (ii) the Contractor is implementing an

221 effective water conservation and efficiency program based on the Contractor's water conservation
222 plan as required by Article 26 of this Contract; (iii) the Contractor is operating and maintaining all
223 water measuring devices and implementing all water measurement methods as approved by the
224 Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has reasonably and
225 beneficially used the Project Water supplies made available to it and, based on projected demands, is
226 reasonably anticipated and expects fully to utilize for reasonable and beneficial use the quantity of
227 Project Water to be made available to it pursuant to such renewal; (v) the Contractor is complying
228 with all terms and conditions of this Contract; and (vi) the Contractor has the physical and legal
229 ability to deliver Project Water.

230 (3) The terms and conditions of the renewal contract described in
231 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed consistent
232 with the parties' respective legal rights and obligations, and in consideration of all relevant facts and
233 circumstances, as those circumstances exist at the time of renewal, including, without limitation, the
234 Contractor's need for continued delivery of Project Water; environmental conditions affected by
235 implementation of the Contract to be renewed, and specifically changes in those conditions that
236 occurred during the life of the Contract to be renewed; the Secretary's progress toward achieving the
237 purposes of the CVPIA as set out in Section 3402 and in implementing the specific provisions of the
238 CVPIA; and current and anticipated economic circumstances of the region served by the Contractor.

239 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
240 Contractor, shall be renewed successive periods of up to 40 years each, which periods shall be
241 consistent with the then-existing Reclamation-wide policy, under terms and conditions mutually

242 agreeable to the parties and consistent with Federal and State law. The Contractor shall be afforded
243 the opportunity to comment to the Contracting Officer on the proposed adoption and application of
244 any revised policy applicable to the delivery of M&I Water that would limit the term of any
245 subsequent renewal contract with the Contractor for the furnishing of M&I Water to less than 40
246 years.

247 (d) The Contracting Officer shall make a determination ten years after the date of
248 execution of this Contract, and every five years thereafter during the term of this Contract, of whether
249 a conversion of the relevant portion of this Contract to a contract under subsection 9(d) of the
250 Reclamation Project Act of 1939 can be accomplished pursuant to the Act of July 2, 1956 (70 Stat
251 483). The Contracting Officer shall also make a determination ten years after the date of execution
252 of this Contract and every five years thereafter during the term of this Contract of whether a
253 conversion of the relevant portion of this Contract to a contract under subsection 9(c)(1) of the
254 Reclamation Project Act of 1939 can be accomplished. Notwithstanding any provision of this
255 Contract, the Contractor reserves and shall have all rights and benefits under the Act of July 2, 1956
256 (70 Stat. 483). The Contracting Officer anticipates that during the term of this Contract, all
257 authorized Project construction expected to occur will have occurred, and on that basis the
258 Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to
259 the Contractor, and agrees further that, at any time after such allocation is made, and subject to
260 satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the
261 Contractor, be converted to a contract under subsection 9(d) or 9(c)(1), whichever is applicable, of
262 the Reclamation Project Act of 1939, subject to applicable Federal law and under stated terms and

263 conditions mutually agreeable to the Contractor and the Contracting Officer. A condition for such
264 conversion to occur shall be a determination by the Contracting Officer that, account being taken of
265 the amount credited to return by the Contractor as provided for under Federal Reclamation law, the
266 remaining amount of construction costs assignable for ultimate return by the Contractor can probably
267 be repaid to the United States within the term of a contract under subsection 9(d) or 9(c)(1),
268 whichever is applicable. If the remaining amount of costs that are properly assignable to the
269 Contractor cannot be determined during the term of this Contract, the Contracting Officer shall notify
270 the Contractor, and provide the reason(s) why such a determination could not be made. Further, the
271 Contracting Officer shall make such a determination as soon thereafter as possible so as to permit,
272 upon request of the Contractor and satisfaction of the condition set out above, conversion to a
273 contract under subsection 9(d) or 9(c)(1), whichever is applicable. In the event such determination of
274 costs has not been made at a time which allows conversion of this Contract during the term of this
275 Contract or the Contractor has not requested conversion of this Contract within such term, the parties
276 shall incorporate in any subsequent renewal contract as described in subdivision (b) of this Article a
277 provision that carries forth in substantially identical terms the provisions of this subdivision.

278 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

279 3. (a) During each Year, consistent with all applicable State water rights, permits,
280 and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of this
281 Contract, the Contracting Officer shall make available for delivery to the Contractor 125,080 acre-
282 feet of Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in
283 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of

284 Articles 4 and 7 of this Contract.

285 (b) Because the capacity of the Project to deliver Project Water has been
286 constrained in recent years and may be constrained in the future due to many factors including
287 hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor
288 actually receiving the amount of Project Water set out in subdivision (a) of this Article in any given
289 Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected that the
290 Contract Total set forth in this Contract will not be available to the Contractor in many years. During
291 the most recent five years, the Recent Historic Average of Water Made Available to the Contractor
292 was 82,303 acre-feet. Nothing in subdivision (b) of this Article shall affect the rights and obligations
293 of the parties under any provision of this Contract.

294 (c) The Contractor shall utilize the Project Water in accordance with all applicable
295 legal requirements.

296 (c.1) In the event any Project Contractor (other than a Cross Valley Contractor) that
297 receives Project Water through the Delta Division Facilities obtains a contractual agreement that the
298 Contracting Officer shall make Project Water available at a point or points of delivery in or north of
299 the Delta, at the request of the Contractor and upon completion of any required environmental
300 documentation, this Contract shall be amended to provide for deliveries in or north of the Delta on
301 mutually agreeable terms. Such amendments to the Contract shall be limited solely to those changes
302 made necessary by the addition of such alternate points of delivery in or north of the Delta;
303 Provided, That the Contracting Officer's use of the Harvey O. Banks Pumping Plant to deliver
304 Project Water does not trigger this right of amendment.

305 (d) The Contractor shall make reasonable and beneficial use of all water furnished
306 pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu), groundwater
307 banking programs, surface water storage programs, and other similar programs utilizing Project
308 Water or other water furnished pursuant to this Contract conducted within the Contractor's Service
309 Area which are consistent with applicable State law and result in use consistent with Federal
310 Reclamation law will be allowed; Provided, That any direct recharge program(s) is (are) described in
311 the Contractor's water conservation plan submitted pursuant to Article 26 of this Contract; Provided,
312 further, That such water conservation plan demonstrates sufficient lawful uses exist in the
313 Contractor's Service Area so that using a long-term average, the quantity of Delivered Water is
314 demonstrated to be reasonable for such uses and in compliance with Federal Reclamation law.
315 Groundwater recharge programs, groundwater banking programs, surface water storage programs,
316 and other similar programs utilizing Project Water or other water furnished pursuant to this Contract
317 conducted outside the Contractor's Service Area may be permitted upon written approval of the
318 Contracting Officer, which approval will be based upon environmental documentation, Project Water
319 rights, and Project operational concerns. The Contracting Officer will address such concerns in
320 regulations, policies, or guidelines.

321 (e) The Contractor shall comply with requirements applicable to the Contractor in
322 biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract
323 undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as amended, that are
324 within the Contractor's legal authority to implement. The Existing Contract, which evidences in
325 excess of 30 years of diversions for irrigation and/or M&I purposes of the quantities of water

326 provided in subdivision (a) of Article 3 of this Contract, will be considered in developing an
327 appropriate baseline for the biological assessment(s) prepared pursuant to the ESA, and any other
328 needed environmental review. Nothing herein shall be construed to prevent the Contractor from
329 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any
330 biological opinion or other environmental documentation referred to in this Article.

331 (f) Following the declaration of Water Made Available under Article 4 of this
332 Contract, the Contracting Officer will make a determination whether Project Water, or other water
333 available to the Project, can be made available to the Contractor in addition to the Contract Total
334 under this Article during the Year without adversely impacting other Project Contractors. At the
335 request of the Contractor, the Contracting Officer will consult with the Contractor prior to making
336 such a determination. If the Contracting Officer determines that Project Water, or other water
337 available to the Project, can be made available to the Contractor, the Contracting Officer will
338 announce the availability of such water and shall so notify the Contractor as soon as practical. The
339 Contracting Officer will thereafter meet with the Contractor and other Project Contractors capable of
340 taking such water to determine the most equitable and efficient allocation of such water. If the
341 Contractor requests the delivery of any quantity of such water, the Contracting Officer shall make
342 such water available to the Contractor in accordance with applicable statutes, regulations, guidelines,
343 and policies. Subject to existing long-term contractual commitments, water rights and operational
344 constraints, long-term Project Contractors shall have a first right to acquire such water, including
345 Project Water made available pursuant to Section 215 of the RRA.

346 (g) The Contractor may request permission to reschedule for use during the

347 subsequent Year some or all of the Water Made Available to the Contractor during the current Year,
348 referred to as “rescheduled water.” The Contractor may request permission to use during the current
349 Year a quantity of Project Water which may be made available by the United States to the Contractor
350 during the subsequent Year referred to as “preuse.” The Contracting Officer’s written approval may
351 permit such uses in accordance with applicable statutes, regulations, guidelines, and policies.

352 (h) The Contractor’s right pursuant to Federal Reclamation law and applicable
353 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during the
354 term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract, during
355 the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its obligations
356 under this Contract and any renewals thereof. Nothing in the preceding sentence shall affect the
357 Contracting Officer’s ability to impose shortages under Article 11 or subdivision (b) of Article 12 of
358 this Contract or applicable provisions of any subsequent renewal contracts.

359 (i) Project Water furnished to the Contractor pursuant to this Contract may be
360 delivered for purposes other than those described in subdivisions (m) and (o) of Article 1 of this
361 Contract upon written approval by the Contracting Officer in accordance with the terms and
362 conditions of such approval.

363 (j) The Contracting Officer shall make reasonable efforts to protect the water
364 rights necessary for the Project and to provide the water available under this Contract. The
365 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
366 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
367 that the Contracting Officer retains the right to object to the substance of the Contractor’s position in

368 such a proceeding; Provided, further, That in such proceedings the Contracting Officer shall
369 recognize the Contractor has a legal right under the terms of this Contract to use Project Water.

370 TIME FOR DELIVERY OF WATER

371 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer shall
372 announce the Contracting Officer's expected declaration of the Water Made Available. Such
373 declaration will be expressed in terms of both Water Made Available and the Recent Historic
374 Average and will be updated monthly, and more frequently if necessary, based on then-current
375 operational and hydrologic conditions and a new declaration with changes, if any, to the Water Made
376 Available will be made. The Contracting Officer shall provide forecasts of Project operations and the
377 basis of the estimate, with relevant supporting information, upon the written request of the
378 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting Officer
379 shall provide the Contractor with the updated Recent Historic Average.

380 (b) On or before each March 1 and at such other times as necessary, the Contractor
381 shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer,
382 showing the monthly quantities of Project Water to be delivered by the United States to the
383 Contractor pursuant to this Contract for the Year commencing on such March 1. The Contracting
384 Officer shall use all reasonable means to deliver Project Water according to the approved schedule
385 for the Year commencing on such March 1.

386 (c) The Contractor shall not schedule Project Water in excess of the quantity of
387 Project Water the Contractor intends to put to reasonable and beneficial use within the Contractor's
388 Service Area or to sell, transfer or exchange pursuant to Article 9 of this Contract during any Year.

389 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
390 Contract, the United States shall deliver Project Water to the Contractor in accordance with the initial
391 schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any written
392 revision(s) thereto satisfactory to the Contracting Officer, submitted within a reasonable time prior to
393 the date(s) on which the requested change(s) is/are to be implemented.

394 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

395 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
396 Contract shall be delivered to the Contractor at Project facilities and any additional point or points of
397 delivery either on Project facilities or another location or locations mutually agreed to in writing by
398 the Contracting Officer and the Contractor.

399 (b) The Contracting Officer, either directly or indirectly through its written
400 agreements(s) with the Operating Non-Federal Entity(ies), shall make all reasonable efforts to
401 maintain sufficient flows and levels of water in the Project facilities to deliver Project Water to the
402 Contractor at the point or points of delivery established pursuant to subdivision (a) of this Article.

403 (c) The Contractor shall deliver Irrigation Water in accordance with any
404 applicable land classification provisions of Federal Reclamation law and the associated regulations.
405 The Contractor shall not deliver Project Water to land outside the Contractor's Service Area unless
406 approved in advance by the Contracting Officer.

407 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
408 measured and recorded with equipment furnished, installed, operated, and maintained by the
409 Contracting Officer either directly or indirectly through its written agreements(s) with the Operating

410 Non-Federal Entity(ies), unless undertaken by the Contractor with the consent of the Contracting
411 Officer at the point or points of delivery established pursuant to subdivision (a) of this Article. Upon
412 the request of either party to this Contract, the Contracting Officer shall investigate, or cause to be
413 investigated by the appropriate Operating Non-Federal Entity (ies) the accuracy of such
414 measurements and shall take any necessary steps to adjust any errors appearing therein. For any
415 period of time when accurate measurements have not been made, the Contracting Officer shall
416 consult with the Contractor and the appropriate Operating Non-Federal Entity(ies), if any, prior to
417 making a final determination of the quantity delivered for that period of time.

418 (e) Absent a separate contrary written agreement with the Contractor, neither the
419 Contracting Officer nor any Operating Non-Federal Entity(ies) shall be responsible for the control,
420 carriage, handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
421 Contract beyond the point or points of delivery established pursuant to subdivision (a) of this Article.
422 The Contractor shall indemnify the United States, its officers, employees, agents, and assigns on
423 account of damage or claim of damage of any nature whatsoever for which there is legal
424 responsibility, including property damage, personal injury, or death arising out of or connected with
425 the control, carriage, handling, use, disposal, or distribution of such Water Delivered beyond such
426 point or points of delivery except for any damage or claim arising out of: (i) acts or omissions of the
427 Contracting Officer or any of its officers, employees, agents, and assigns, including the Operating
428 Non-Federal Entity(ies) with the intent of creating the situation resulting in any damage or claim; (ii)
429 willful misconduct of the Contracting Officer or any of its officers, employees, agents, and assigns,
430 including the Operating Non-Federal Entity(ies); (iii) negligence of the Contracting Officer or any of

431 its officers, employees, agents, and assigns including the Operating Non-Federal Entity(ies); (iv) a
432 malfunction of facilities owned and/or operated by the United States or the Operating Non-Federal
433 Entity(ies); or (v) failure of the United States, its officers, employees, agents and assigns, including
434 the Operating Non-Federal Entity(ies), to provide drainage service.

435 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

436 6. (a) The Contractor has established a measuring program satisfactory to the
437 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
438 purposes within the Contractor's Service Area is measured at each agricultural turnout and such
439 water delivered for M&I purposes is measured at each M&I service connection. The water
440 measuring devices or water measuring methods of comparable effectiveness must be acceptable to
441 the Contracting Officer. The Contractor shall be responsible for installing, operating, and
442 maintaining and repairing all such measuring devices and implementing all such water measuring
443 methods at no cost to the United States. The Contractor shall use the information obtained from such
444 water measuring devices or water measuring methods to ensure its proper management of the water;
445 to bill water users for water delivered by the Contractor; and, if applicable, to record water delivered
446 for M&I purposes by customer class as defined in the Contractor's water conservation plan provided
447 for in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor
448 from establishing and collecting any charges, assessments, or other revenues authorized by California
449 law. The Contractor shall include a summary of all its annual surface water deliveries in the annual
450 report described in subdivision (c) of Article 26.

451 (b) To the extent the information has not otherwise been provided, upon execution
452 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing
453 the measurement devices or water measuring methods being used or to be used to implement
454 subdivision (a) of this Article and identifying the agricultural turnouts and the M&I service
455 connections or alternative measurement programs approved by the Contracting Officer, at which such
456 measurement devices or water measuring methods are being used, and, if applicable, identifying the
457 locations at which such devices and/or methods are not yet being used including a time schedule for
458 implementation at such locations. The Contracting Officer shall advise the Contractor in writing
459 within 60 days as to the adequacy and necessary modifications, if any, of the measuring devices or
460 water measuring methods identified in the Contractor's report and if the Contracting Officer does not
461 respond in such time, they shall be deemed adequate. If the Contracting Officer notifies the
462 Contractor that the measuring devices or methods are inadequate, the parties shall within 60 days
463 following the Contracting Officer's response, negotiate in good faith the earliest practicable date by
464 which the Contractor shall modify said measuring devices and/or measuring methods as required by
465 the Contracting Officer to ensure compliance with subdivision (a) of this Article.

466 (c) All new surface water delivery systems installed within the Contractor's
467 Service Area after the effective date of this Contract shall also comply with the measurement
468 provisions described in subdivision (a) of this Article.

469 (d) The Contractor shall inform the Contracting Officer and the State of California
470 in writing by April 30 of each Year of the monthly volume of surface water delivered within the
471 Contractor's Service Area during the previous Year.

472 (e) The Contractor shall inform the Contracting Officer and the Operating Non-
473 Federal Entity on or before the 20th calendar day of each month of the quantity of Irrigation Water
474 and M&I Water taken during the preceding month.

475 RATES AND METHOD OF PAYMENT FOR WATER

476 7. (a) The Contractor shall pay the United States as provided in this Article for all
477 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
478 with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the Secretary's
479 then-existing ratesetting policy for M&I Water. Such ratesetting policies shall be amended,
480 modified, or superceded only through a public notice and comment procedure; (ii) applicable Federal
481 Reclamation law and associated rules and regulations, or policies; and (iii) other applicable
482 provisions of this Contract. Payments shall be made by cash transaction, electronic funds transfer, or
483 any other mechanism as may be agreed to in writing by the Contractor and the Contracting Officer.
484 The Rates, Charges, and Tiered Pricing Component applicable to the Contractor upon execution of
485 this Contract are set forth in Exhibit "B," as may be revised annually.

486 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
487 Tiered Pricing Components as follows:

488 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
489 provide the Contractor an estimate of the Charges for Project Water that will be applied to the period
490 October 1, of the current Calendar Year, through September 30, of the following Calendar Year, and
491 the basis for such estimate. The Contractor shall be allowed not less than two months to review and

492 comment on such estimates. On or before September 15 of each Calendar Year, the Contracting
493 Officer shall notify the Contractor in writing of the Charges to be in effect during the period October
494 1 of the current Calendar Year, through September 30, of the following Calendar Year, and such
495 notification shall revise Exhibit "B."

496 (2) Prior to October 1 of each Calendar Year, the Contracting Officer shall
497 make available to the Contractor an estimate of the Rates and Tiered Pricing Component for Project
498 Water for the following Year and the computations and cost allocations upon which those Rates are
499 based. The Contractor shall be allowed not less than two months to review and comment on such
500 computations and cost allocations. By December 31 of each Calendar Year, the Contracting Officer
501 shall provide the Contractor with the final Rates and Tiered Pricing Component to be in effect for the
502 upcoming Year, and such notification shall revise Exhibit "B".

503 (c) At the time the Contractor submits the initial schedule for the delivery of
504 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
505 shall make an advance payment to the United States equal to the total amount payable pursuant to the
506 applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
507 delivered pursuant to this Contract during the first two calendar months of the Year. Before the end
508 of the first month and before the end of each calendar month thereafter, the Contractor shall make an
509 advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for the
510 Water Scheduled to be delivered pursuant to this Contract during the second month immediately
511 following. Adjustments between advance payments for Water Scheduled and payments at Rates due
512 for Water Delivered shall be made before the end of the following month; Provided, That any revised

513 schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases the
514 amount of Water Delivered pursuant to this Contract during any month shall be accompanied with
515 appropriate advance payment, at the Rates then in effect, to assure that Project Water is not delivered
516 to the Contractor in advance of such payment. In any month in which the quantity of Water
517 Delivered to the Contractor pursuant to this Contract equals the quantity of Water Scheduled and paid
518 for by the Contractor, no additional Project Water shall be delivered to the Contractor unless and
519 until an advance payment at the Rates then in effect for such additional Project Water is made. Final
520 adjustment between the advance payments for the Water Scheduled and payments for the quantities
521 of Water Delivered during each Year pursuant to this Contract shall be made as soon as practicable
522 but no later than April 30th of the following Year, or sixty days after the delivery of Project Water
523 rescheduled under subdivision (g) of Article 3 of this Contract if such water is not delivered by the
524 last day of February.

525 (d) The Contractor shall also make a payment in addition to the Rate(s) in
526 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
527 appropriate Tiered Pricing Component then in effect, before the end of the month following the
528 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
529 Pricing Component pursuant to subdivision (j) (2) of this Article. The payments shall be consistent
530 with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery
531 report for the subject month prepared by the Operating Non-Federal Entity(ies) or, if there is no
532 Operating Non-Federal Entity, by the Contracting Officer. The water delivery report shall be deemed
533 a bill for the payment of Charges and the applicable Tiered Pricing Component for Water Delivered.

534 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment of
535 payments due to the United States for Charges for the next month. Any amount to be paid for past
536 due payment of Charges and the Tiered Pricing Component shall be computed pursuant to Article 20
537 of this Contract.

538 (e) The Contractor shall pay for any Water Delivered under subdivision (a), (f), or
539 (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
540 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;
541 Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this Contract shall
542 be no more than the otherwise applicable Rate for Irrigation Water or M&I Water under subdivision
543 (a) of this Article.

544 (f) Payments to be made by the Contractor to the United States under this
545 Contract may be paid from any revenues available to the Contractor.

546 (g) All revenues received by the United States from the Contractor relating to the
547 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
548 allocated and applied in accordance with Federal Reclamation law and the associated rules or
549 regulations, and the then current Project ratesetting policies for M&I Water or Irrigation Water.

550 (h) The Contracting Officer shall keep its accounts pertaining to the administration
551 of the financial terms and conditions of its long-term contracts, in accordance with applicable Federal
552 standards, so as to reflect the application of Project costs and revenues. The Contracting Officer
553 shall, each Year upon request of the Contractor, provide to the Contractor a detailed accounting of all
554 Project and Contractor expense allocations, the disposition of all Project and Contractor revenues,

555 and a summary of all water delivery information. The Contracting Officer and the Contractor shall
556 enter into good faith negotiations to resolve any discrepancies or disputes relating to accountings,
557 reports, or information.

558 (i) The parties acknowledge and agree that the efficient administration of this
559 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
560 policies, and procedures used for establishing Rates, Charges, and the Tiered Pricing Component,
561 and/or for making and allocating payments, other than those set forth in this Article may be in the
562 mutual best interest of the parties, it is expressly agreed that the parties may enter into agreements to
563 modify the mechanisms, policies, and procedures for any of those purposes while this Contract is in
564 effect without amending this Contract.

565 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed
566 80 percent of the Contract Total, then before the end of the month following the month of delivery
567 the Contractor shall make an additional payment to the United States equal to the applicable Tiered
568 Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in excess of
569 80 percent of the Contract Total, but less than or equal to 90 percent of the Contract Total, shall equal
570 one-half of the difference between the Rate established under subdivision (a) of this Article and the
571 Irrigation Full Cost Water Rate or M&I Full Cost Water Rate, whichever is applicable. The Tiered
572 Pricing Component for the amount of Water Delivered which exceeds 90 percent of the Contract
573 Total shall equal the difference between (i) the Rate established under subdivision (a) of this Article
574 and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate, whichever is applicable.
575 For all Water Delivered pursuant to subdivision (a) of Article 3 of this Contract which is in excess of

576 80 percent of the Contract Total, this increment shall be deemed to be divided between Irrigation
577 Water and M&I Water in the same proportion as actual deliveries of each bear to the cumulative total
578 Water Delivered.

579 (2) Subject to the Contracting Officer's written approval, the Contractor
580 may request and receive an exemption from such Tiered Pricing Component for Project Water
581 delivered to produce a crop which the Contracting Officer determines will provide significant and
582 quantifiable habitat values for waterfowl in fields where the water is used and the crops are produced;
583 Provided, That the exemption from the Tiered Pricing Component for Irrigation Water shall apply
584 only if such habitat values can be assured consistent with the purposes of the CVPIA through binding
585 agreements executed with or approved by the Contracting Officer prior to use of such water.

586 (3) For purposes of determining the applicability of the Tiered Pricing
587 Component pursuant to this Article, Water Delivered shall include Project Water that the Contractor
588 transfers to others but shall not include Project Water transferred to the Contractor, nor shall it
589 include the additional water provided to the Contractor under the provisions of subdivision (f) of
590 Article 3 of this Contract.

591 (k) For the term of this Contract, Rates applied under the respective ratesetting
592 policies will be established to recover only reimbursable O&M (including any deficits) and capital
593 costs of the Project, as those terms are used in the then-current Project ratesetting policies, and
594 interest, where appropriate, except in instances where a minimum Rate is applicable in accordance
595 with the relevant Project ratesetting policy. Changes of significance in practices which implement

596 the Contracting Officer's ratesetting policies will not be implemented until the Contracting Officer
597 has provided the Contractor an opportunity to discuss the nature, need, and impact of the proposed
598 change.

599 (l) Except as provided in subsections 3405(a) (1) (B) and 3405(f) of the CVPIA,
600 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates, in
601 accordance with the applicable Project ratesetting policy, adjusted upward or downward to reflect the
602 changed costs if any, incurred by the Contracting Officer in the delivery of the transferred Project
603 Water to the transferee's point of delivery. If the Contractor is receiving lower Rates and Charges
604 because of inability to pay and is transferring Project Water to another entity whose Rates and
605 Charges are not adjusted due to inability to pay, the Rates and Charges for transferred Project Water
606 shall not be adjusted to reflect the Contractor's inability to pay.

607 (m) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
608 Officer is authorized to adjust determinations of ability to pay every 5 years.

609 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is not
610 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
611 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
612 Contractor does not waive any legal rights or remedies that it may have with respect to such disputed
613 issues. Notwithstanding the execution of this Contract and payments made hereunder, the Contractor
614 may challenge in the appropriate administrative or judicial forums: (1) the existence, computation, or
615 imposition of any deficit charges accruing during the term of the Existing Contract and any preceding
616 interim renewal contracts, if applicable; (2) interest accruing on any such deficits; (3) the inclusion of

617 any such deficit charges or interest in the Rates; (4) the application by the United States of payments
618 made by the Contractor under its Existing Contract and any preceding interim renewal contracts, if
619 applicable; and (5) the application of such payments in the Rates. The Contracting Officer agrees
620 that the Contractor shall be entitled to the benefit of any administrative or judicial ruling in favor of
621 any Project M&I contractor on any of these issues, and credits for payments heretofore made,
622 provided that the basis for such ruling is applicable to the Contractor.

623 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

624 8. The Contractor and the Contracting Officer concur that, as of the effective date of this
625 Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further liability
626 therefore.

627 SALES, TRANSFERS, OR EXCHANGES OF WATER

628 9. (a) The right to receive Project Water provided for in this Contract may be sold,
629 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if
630 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
631 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this
632 Contract may take place without the prior written approval of the Contracting Officer, except as
633 provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be
634 approved absent all appropriate environmental documentation, including but not limited to,
635 documents prepared pursuant to the NEPA and ESA. Such environmental documentation should
636 include, as appropriate, an analysis of groundwater impacts and economic and social effects,
637 including environmental justice, of the proposed water transfers on both the transferor and transferee.

638 (b) In order to facilitate efficient water management by means of water transfers of
639 the type historically carried out among Project Contractors located within the same geographical area
640 and to allow the Contractor to participate in an accelerated water transfer program during the term of
641 this Contract, the Contracting Officer shall prepare, as appropriate, all necessary environmental
642 documentation, including but not limited to, documents prepared pursuant to NEPA and ESA,
643 analyzing annual transfers within such geographical areas and the Contracting Officer shall
644 determine whether such transfers comply with applicable law. Following the completion of the
645 environmental documentation, such transfers addressed in such documentation shall be conducted
646 with advance notice to the Contracting Officer, but shall not require prior written approval by the
647 Contracting Officer. Such environmental documentation and the Contracting Officer's compliance
648 determination shall be reviewed every five years and updated, as necessary, prior to the expiration of
649 the then existing five year period. All subsequent environmental documentation shall include an
650 alternative to

651 evaluate not less than the quantity of Project Water historically transferred within the same
652 geographical area.

653 (c) For a water transfer to qualify under subdivision (b) of this Article, such water
654 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three years, for
655 M&I use, groundwater recharge, groundwater banking, or similar groundwater activities, surface
656 water storage, or fish and wildlife resources; not lead to land conversion; and be delivered to
657 established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur within a single

658 Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water through existing
659 facilities with no new construction or modifications to facilities and be between existing Project
660 Contractors and/or the Contractor and the United States, Department of the Interior; and (v) comply
661 with all applicable Federal, State, and local or tribal laws and requirements imposed for protection of
662 the environment and Indian Trust Assets, as defined under Federal law.

663 APPLICATION OF PAYMENTS AND ADJUSTMENTS

664 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
665 capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
666 the Contractor arising out of this Contract then due and payable. Overpayments of more than \$1,000
667 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such overpayment at
668 the option of the Contractor, may be credited against amounts to become due to the United States by
669 the Contractor. With respect to overpayment, such refund or adjustment shall constitute the sole
670 remedy of the Contractor or anyone having or claiming to have the right to the use of any of the
671 Project Water supply provided for herein. All credits and refunds of overpayments shall be made
672 within 30 days of the Contracting Officer obtaining direction as to how to credit or refund such
673 overpayment in response to the notice to the Contractor that it has finalized the accounts for the Year
674 in which the overpayment was made.

675 (b) All advances for miscellaneous costs incurred for work requested by the
676 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when
677 the work has been completed. If the advances exceed the actual costs incurred, the difference will be
678 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will

679 be billed for the additional costs pursuant to Article 25.

680 TEMPORARY REDUCTIONS--RETURN FLOWS

681 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
682 requirements of Federal law and (ii) the obligations of the United States under existing contracts, or
683 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make
684 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this
685 Contract.

686 (b) The Contracting Officer or Operating Non-Federal Entity(ies) may temporarily
687 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for the
688 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project
689 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far
690 as feasible the Contracting Officer or Operating Non-Federal Entity(ies) will give the Contractor due
691 notice in advance of such temporary discontinuance or reduction, except in case of emergency, in
692 which case no notice need be given; Provided, That the United States shall use its best efforts to
693 avoid any discontinuance or reduction in such service. Upon resumption of service after such
694 reduction or discontinuance, and if requested by the Contractor, the United States will, if possible,
695 deliver the quantity of Project Water which would have been delivered hereunder in the absence of
696 such discontinuance or reduction.

697 (c) The United States reserves the right to all seepage and return flow water
698 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the
699 Contractor's Service Area; Provided, That this shall not be construed as claiming for the United

700 States any right to seepage or return flow being put to reasonable and beneficial use pursuant to this
701 Contract within the Contractor's Service Area by the Contractor or those claiming by, through, or
702 under the Contractor.

703 CONSTRAINTS ON THE AVAILABILITY OF WATER

704 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable
705 means to guard against a Condition of Shortage in the quantity of water to be made available to the
706 Contractor pursuant to this Contract. In the event the Contracting Officer determines that a
707 Condition of Shortage appears probable, the Contracting Officer will notify the Contractor of said
708 determination as soon as practicable.

709 (b) If there is a Condition of Shortage because of errors in physical operations of
710 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions
711 taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a)
712 of Article 18 of this Contract, no liability shall accrue against the United States or any of its officers,
713 agents, or employees for any damage, direct or indirect, arising therefrom.

714 (c) In any Year in which there may occur a Condition of Shortage for any of the
715 reasons specified in subdivision (b) of this Article, and subject to subdivision (d) of this Article, the
716 Contracting Officer will first allocate the available Project Water consistent with the Central Valley
717 Project M&I Water Shortage Policy in its form on the effective date of this Contract for determining
718 the amount of Project Water available for delivery to the Project Contractors. Subject to the
719 foregoing allocation, in any year in which there may occur a Condition of Shortage, the Contracting
720 Officer shall then apportion Project Water among the Contractor and others entitled to Project Water

721 from Delta Division Facilities under long-term water service or repayment contracts (or renewals
722 thereof or binding commitments therefore) in force on February 28, 2005, as follows:

723 (1) The Contracting Officer shall make an initial and subsequent
724 determination as necessary of the total quantity of Project Water estimated to be scheduled or actually
725 scheduled under subdivision (b) of Article 4 of this Contract and under all other long-term water
726 service or repayment contracts then in force for the delivery of Project Water by the United States
727 from Delta Division Facilities during the relevant Year, the quantity so determined being hereinafter
728 referred to as the scheduled total;

729 (2) A determination shall be made of the total quantity of Project Water
730 that is available for meeting the scheduled total, the quantity so determined being hereinafter referred
731 to as the available supply;

732 (3) The total quantity of Project Water estimated to be scheduled or
733 actually scheduled by the Contractor during the relevant Year, under subdivision (b) of Article 4
734 hereof, shall be divided by the scheduled total, the quotient thus obtained being hereinafter referred to
735 as the Contractor's proportionate share; and

736 (4) The available supply shall be multiplied by the Contractor's
737 proportionate share and the result shall be the quantity of Project Water made available by the United
738 States to the Contractor for the relevant Year in accordance with the schedule developed by the
739 Contracting Officer under subdivision (c)(1) of this Article 12, but in no event shall such amount

740 exceed the Contract Total. In the event the Contracting Officer subsequently determines that the
741 Contracting Officer can increase or needs to decrease the available supply for delivery from Delta
742 Division Facilities to long-term water service and repayment Contractors during the relevant Year,
743 such additions or reductions to the available supply shall be apportioned consistent with
744 subparagraphs (1) through (4), inclusive.

745 (d) By entering into this Contract, the Contractor does not waive any legal rights
746 or remedies it may have to file or participate in any administrative or judicial proceeding contesting
747 (i) the sufficiency of the Central Valley Project M&I Water Shortage Policy; (ii) the substance of
748 such a policy; (iii) the applicability of such a policy; or (iv) the manner in which such policy is
749 implemented in order to allocate Project Water between municipal and industrial and irrigation
750 purposes; Provided, That the Contractor has commenced any such judicial challenge or any
751 administrative procedures necessary to institute any judicial challenge within 6 months of the policy
752 becoming final. By agreeing to the foregoing, the Contracting Officer does not waive any legal
753 defenses or remedies that it may have to assert in such a proceeding. Nothing contained herein shall
754 be interpreted to validate or invalidate the M&I Water Shortage Policy.

755 UNAVOIDABLE GROUNDWATER PERCOLATION

756 13. To the extent applicable, the Contractor shall not be deemed to have delivered
757 Irrigation Water to Excess Lands or Ineligible Lands within the meaning of this Contract if such
758 lands are irrigated with groundwater that reaches the underground strata as an unavoidable result of
759 the delivery of Irrigation Water by the Contractor to Eligible Lands.

760

RULES AND REGULATIONS

761 14. The parties agree that the delivery of Irrigation Water or use of Federal facilities
762 pursuant to this Contract is subject to Federal Reclamation law, including but not limited to, the
763 Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as amended and supplemented, and the
764 rules and regulations promulgated by the Secretary of the Interior under Federal Reclamation law.

765

WATER AND AIR POLLUTION CONTROL

766 15. The Contractor, in carrying out this Contract, shall comply with all applicable water
767 and air pollution laws and regulations of the United States and the State of California, and shall
768 obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

769

QUALITY OF WATER

770 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to
771 this Contract shall be operated and maintained to enable the United States to deliver Project Water to
772 the Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act
773 of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100 Stat.
774 3050) or other existing Federal laws. The United States is under no obligation to construct or furnish
775 water treatment facilities to maintain or to improve the quality of Water Delivered to the Contractor
776 pursuant to this Contract. The United States does not warrant the quality of Water Delivered to the
777 Contractor pursuant to this Contract.

778 (b) The O&M of Project facilities shall be performed in such manner as is
779 practicable to maintain the quality of raw water made available through such facilities at the highest
780 level reasonably attainable as determined by the Contracting Officer. The Contractor shall be
781 responsible for compliance with all State and Federal water quality standards applicable to surface
782 and subsurface agricultural drainage discharges generated through the use of Federal or Contractor
783 facilities or Project Water provided by the Contractor within the Contractor's Service Area.

784 (c) The Contracting Officer shall notify the Contractor in writing when drainage
785 service becomes available. Thereafter, the Contracting Officer shall provide drainage service to the
786 Contractor at rates established pursuant to the then-existing ratesetting policy for irrigation water;
787 Provided, that such ratesetting policy shall be amended, modified, or superceded only through the
788 process described in subdivision (a) of Article 7 of this Contract.

789 WATER ACQUIRED BY THE CONTRACTOR
790 OTHER THAN FROM THE UNITED STATES

791 17. (a) Water or water rights now owned or hereafter acquired by the Contractor other
792 than from the United States and Irrigation Water furnished pursuant to the terms of this Contract may
793 be simultaneously transported through the same distribution facilities of the Contractor subject to the
794 following: (i) if the facilities utilized for commingling Irrigation Water and non-Project water were
795 constructed without funds made available pursuant to Federal Reclamation law, the provisions of
796 Federal Reclamation law will be applicable only to the Landholders of lands which receive Irrigation
797 Water; (ii) the eligibility of land to receive Irrigation Water must be established through the
798 certification requirements as specified in the Acreage Limitation Rules and Regulations (43 CFR Part
799 426); (iii) the water requirements of Eligible Lands within the Contractor's Service Area can be
800 established and the quantity of Irrigation Water to be utilized is less than or equal to the quantity
801 necessary to irrigate such Eligible Lands; and (iv) if the facilities utilized for commingling Irrigation
802 Water and non-Project water are/were constructed with funds made available pursuant to Federal
803 Reclamation law, the non-Project water will be subject to the acreage limitation provisions of Federal
804 Reclamation law, unless the Contractor pays to the United States the incremental fee described in 43
805 CFR 426.15. In determining the incremental fee, the Contracting Officer will calculate annually the

806 cost to the Federal Government, including interest, of storing or delivering non-Project water, which
807 for purposes of this Contract shall be determined as follows: The quotient shall be the unpaid
808 distribution system costs divided by the total irrigable acreage within the Contractor's Service Area.
809 The incremental fee per acre is the mathematical result of such quotient times the interest rate
810 determined using Section 202 (3) of the Act of October 12, 1982 (96 Stat. 1263). Such incremental
811 fee will be charged to each acre of excess or full cost land within the Contractor's Service Area that
812 receives non-Project water through Federally financed or constructed facilities. The incremental fee
813 calculation methodology will continue during the term of this Contract absent the promulgation of a
814 contrary Reclamation-wide rule, regulation or policy adopted after the Contractor has been afforded
815 the opportunity to review and comment on the proposed rule, regulation or policy. If such rule,
816 regulation or policy is adopted it shall supercede this provision.

817 (b) Water or water rights now owned or hereafter acquired by the Contractor,
818 other than from the United States may be stored, conveyed and/or diverted through Project facilities,
819 subject to the completion of appropriate environmental documentation, with the approval of the
820 Contracting Officer and the execution of any contract determined by the Contracting Officer to be
821 necessary, consistent with the following provisions:

822 (1) The Contractor may introduce non-Project water into Project facilities
823 and deliver said water to lands within the Contractor's Service Area, including Ineligible Lands,
824 subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an
825 appropriate rate as determined by the applicable Project ratesetting policy, the RRA, and the Project
826 use power policy, if such Project use power policy is applicable, each as amended, modified or

827 superceded from time to time.

828 (2) Delivery of such non-Project water in and through Project facilities
829 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as
830 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other
831 Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any other
832 Project Contractors; or (iv) interfere with the physical maintenance of the Project facilities.

833 (3) Neither the United States nor the Operating Non-Federal Entity(ies)
834 shall be responsible for control, care or distribution of the non-Project water before it is introduced
835 into or after it is delivered from the Project facilities. The Contractor hereby releases and agrees to
836 defend and indemnify the United States and the Operating Non-Federal Entity(ies), and their
837 respective officers, agents, and employees, from any claim for damage to persons or property, direct
838 or indirect, resulting from the act(s) of the Contractor, its officers, employees, agents, or assigns, in
839 (i) extracting or diverting non-Project water from any source, or (ii) diverting such non-Project water
840 into Project facilities.

841 (4) Diversion of such non-Project water into Project facilities shall be
842 consistent with all applicable laws, and if involving groundwater, consistent with any applicable
843 groundwater management plan for the area from which it was extracted.

844 (5) After Project purposes are met, as determined by the Contracting
845 Officer, the United States and Project Contractors entitled to Project Water from Delta Division
846 Facilities shall share priority to utilize the remaining capacity of the facilities declared to be
847 available by the Contracting Officer for conveyance and transportation of non-Project water prior to

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848 any such remaining capacity being made available to non-Project contractors. Other Project
849 Contractors shall have a second priority to any remaining capacity of facilities declared to be
850 available by the Contracting Officer for conveyance and transportation of non-Project water prior to
851 any such remaining capacity being made available to non-Project contractors.

852 OPINIONS AND DETERMINATIONS

853 18. (a) Where the terms of this Contract provide for actions to be based upon the
854 opinion or determination of either party to this Contract, said terms shall not be construed as
855 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
856 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
857 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
858 unreasonable opinion or determination. Each opinion or determination by either party shall be
859 provided in a timely manner. Nothing in this subdivision (a) of this Article is intended to or shall
860 affect or alter the standard of judicial review applicable under Federal law to any opinion or
861 determination implementing a specific provision of Federal law embodied in statute or regulation.

862 (b) The Contracting Officer shall have the right to make determinations necessary
863 to administer this Contract that are consistent with the provisions of this Contract, the laws of the
864 United States and of the State of California, and the rules and regulations promulgated by the
865 Secretary of the Interior. Such determinations shall be made in consultation with the Contractor to
866 the extent reasonably practicable.

867

COORDINATION AND COOPERATION

868

19. (a) In order to further their mutual goals and objectives, the Contracting Officer

869 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other

870 affected Project Contractors, in order to improve the operation and management of the Project. The

871 communication, coordination, and cooperation regarding operations and management shall include,

872 but not be limited to, any action which will or may materially affect the quantity or quality of Project

873 Water supply, the allocation of Project Water supply, and Project financial matters including, but not

874 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder

875 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making

876 authority for all actions, opinions, and determinations to be made by the respective party.

877 (b) Within 120 days following the effective date of this Contract, the Contractor,

878 other affected Project Contractors, and the Contracting Officer shall arrange to meet with interested

879 Project Contractors to develop a mutually agreeable, written Project-wide process, which may be

880 amended as necessary separate and apart from this Contract. The goal of this process shall be to

881 provide, to the extent practicable, the means of mutual communication and interaction regarding

882 significant decisions concerning Project operation and management on a real-time basis.

883 (c) In light of the factors referred to in subdivision (b) of Article 3 of this

884 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this intent:

885 (1) The Contracting Officer will, at the request of the Contractor, assist in

886 the development of integrated resource management plans for the Contractor. Further, the

887 Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships to

888 improve water supply, water quality, and reliability.

889 (2) The Secretary will, as appropriate, pursue program and project
890 implementation and authorization in coordination with Project Contractors to improve the water
891 supply, water quality, and reliability of the Project for all Project purposes.

892 (3) The Secretary will coordinate with Project Contractors and the State of
893 California to seek improved water resource management.

894 (4) The Secretary will coordinate actions of agencies within the
895 Department of the Interior that may impact the availability of water for Project purposes.

896 (5) The Contracting Officer shall periodically, but not less than annually,
897 hold division level meetings to discuss Project operations, division level water management
898 activities, and other issues as appropriate.

899 (d) Without limiting the contractual obligations of the Contracting Officer under
900 the other Articles of this Contract, nothing in this Article shall be construed to limit or constrain the
901 Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or other
902 interested stakeholders or to make decisions in a timely fashion as needed to protect health, safety, or
903 the physical integrity of structures or facilities.

904 CHARGES FOR DELINQUENT PAYMENTS

905 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
906 on delinquent installments or payments. When a payment is not received by the due date, the
907 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
908 When a payment becomes 60 days delinquent, the Contractor shall pay an administrative charge to
909 cover additional costs of billing and processing the delinquent payment. When a payment is
910 delinquent 90 days or more, the Contractor shall pay an additional penalty charge of six percent per
911 year for each day the payment is delinquent beyond the due date. Further, the Contractor shall pay
912 any fees incurred for debt collection services associated with a delinquent payment.

913 (b) The interest charge rate shall be the greater of the rate prescribed quarterly in
914 the Federal Register by the Department of the Treasury for application to overdue payments, or the
915 interest rate of one-half of one percent per month prescribed by Section 6 of the Reclamation Project
916 Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and
917 remain fixed for the duration of the delinquent period.

918 (c) When a partial payment on a delinquent account is received, the amount
919 received shall be applied, first to the penalty, second to the administrative charges, third to the
920 accrued interest, and finally to the overdue payment.

921 EQUAL OPPORTUNITY

922 21. During the performance of this Contract, the Contractor agrees as follows:

923 (a) The Contractor will not discriminate against any employee or applicant for
924 employment because of race, color, religion, sex, or national origin. The Contractor will take
925 affirmative action to ensure that applicants are employed, and that employees are treated during
926 employment, without regard to their race, color, religion, sex, or national origin. Such action shall
927 include, but not be limited to, the following: Employment, upgrading, demotion, or transfer;
928 recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of
929 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
930 conspicuous places, available to employees and applicants for employment, notices to be provided by
931 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

932 (b) The Contractor will, in all solicitations or advertisements for employees placed
933 by or on behalf of the Contractor, state that all qualified applicants will receive consideration for
934 employment without discrimination because of race, color, religion, sex, or national origin.

935 (c) The Contractor will send to each labor union or representative of workers with
936 which it has a collective bargaining agreement or other contract or understanding, a notice, to be
937 provided by the Contracting Officer, advising the said labor union or workers' representative of the
938 Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and
939 shall post copies of the notice in conspicuous places available to employees and applicants for
940 employment.

941 (d) The Contractor will comply with all provisions of Executive Order
942 No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of
943 the Secretary of Labor.

944 (e) The Contractor will furnish all information and reports required by said
945 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or

946 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer
947 and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules,
948 regulations, and orders.

949 (f) In the event of the Contractor's noncompliance with the nondiscrimination
950 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
951 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible
952 for further Government contracts in accordance with procedures authorized in said amended
953 Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said
954 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided
955 by law.

956 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
957 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
958 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
959 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
960 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
961 means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That
962 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor
963 or vendor as a result of such direction, the Contractor may request the United States to enter into such
964 litigation to protect the interests of the United States.

965 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

966 22. (a) The obligation of the Contractor to pay the United States as provided in this
967 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
968 may be distributed among the Contractor's water users and notwithstanding the default of individual
969 water users in their obligations to the Contractor.

970 (b) The payment of charges becoming due hereunder is a condition precedent to
971 receiving benefits under this Contract. The United States shall not make water available to the
972 Contractor through Project facilities during any period in which the Contractor may be in arrears in
973 the advance payment of water rates due the United States. The Contractor shall not furnish water
974 made available pursuant to this Contract for lands or parties which are in arrears in the advance
975 payment of water rates levied or established by the Contractor.

976 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
977 obligation to require advance payment for water rates which it levies.

978 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

979

980 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964 (42
981 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the Age
982 Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as
983 well as with their respective implementing regulations and guidelines imposed by the U.S.
984 Department of the Interior and/or Bureau of Reclamation.

985 (b) These statutes require that no person in the United States shall, on the grounds
986 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the
987 benefits of, or be otherwise subjected to discrimination under any program or activity receiving
988 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor
989 agrees to immediately take any measures necessary to implement this obligation, including
990 permitting officials of the United States to inspect premises, programs, and documents.

991 (c) The Contractor makes this agreement in consideration of and for the purpose
992 of obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial
993 assistance extended after the date hereof to the Contractor by the Bureau of Reclamation, including
994 installment payments after such date on account of arrangements for Federal financial assistance
995 which were approved before such date. The Contractor recognizes and agrees that such Federal
996 assistance will be extended in reliance on the representations and agreements made in this Article,
997 and that the United States reserves the right to seek judicial enforcement thereof.

998 PRIVACY ACT COMPLIANCE

999 24. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a) (the
1000 Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et seq.) in
1001 maintaining Landholder acreage certification and reporting records, required to be submitted to the
1002 Contractor for compliance with Sections 206 and 228 of the Reclamation Reform Act of 1982 (96
1003 Stat. 1266), and pursuant to 43 CFR 426.18.

1004 (b) With respect to the application and administration of the criminal penalty
1005 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees responsible
1006 for maintaining the certification and reporting records referenced in (a) above are considered to be
1007 employees of the Department of the Interior. See 5 U.S.C. 552a(m).

1008 (c) The Contracting Officer or a designated representative shall provide the
1009 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau of
1010 Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--Interior,
1011 Reclamation-31) which govern the maintenance, safeguarding, and disclosure of information
1012 contained in the Landholder's certification and reporting records.

1013 (d) The Contracting Officer shall designate a full-time employee of the Bureau of
1014 Reclamation to be the System Manager who shall be responsible for making decisions on denials
1015 pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The Contractor is

1016 authorized to grant requests by individuals for access to their own records.

1017 (e) The Contractor shall forward promptly to the System Manager each proposed
1018 denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR
1019 2.71; notify the requester accordingly of such referral; and provide the System Manager with
1020 information and records necessary to prepare an appropriate response to the requester. These
1021 requirements do not apply to individuals seeking access to their own certification and reporting forms
1022 filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the Privacy
1023 Act as a basis for the request.

1024 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1025 25. In addition to all other payments to be made by the Contractor pursuant to this
1026 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
1027 detailed statement submitted by the Contracting Officer to the Contractor for such specific items of
1028 direct cost incurred by the United States for work requested by the Contractor associated with this
1029 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
1030 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
1031 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
1032 administration.

1033 WATER CONSERVATION

1034 26. (a) Prior to the delivery of water provided from or conveyed through Federally
1035 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
1036 implementing an effective water conservation and efficiency program based on the Contractor's water
1037 conservation plan that has been determined by the Contracting Officer to meet the conservation and
1038 efficiency criteria for evaluating water conservation plans established under Federal law. The water
1039 conservation and efficiency program shall contain definite water conservation objectives, appropriate

1040 economically feasible water conservation measures, and time schedules for meeting those objectives.
1041 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
1042 continued implementation of such water conservation program. In the event the Contractor's water
1043 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
1044 this Article 26 have not yet been determined by the Contracting Officer to meet such criteria, due to
1045 circumstances which the Contracting Officer determines are beyond the control of the Contractor,
1046 water deliveries shall be made under this Contract so long as the Contractor diligently works with the
1047 Contracting Officer to obtain such determination at the earliest practicable date, and thereafter the
1048 Contractor immediately begins implementing its water conservation and efficiency program in
1049 accordance with the time schedules therein.

1050 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1051 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement
1052 the Best Management Practices identified by the time frames issued by the California Urban Water
1053 Conservation Council for such M&I Water unless any such practice is determined by the Contracting
1054 Officer to be inappropriate for the Contractor.

1055 (c) The Contractor shall submit to the Contracting Officer a report on the status of
1056 its implementation of the water conservation plan on the reporting dates specified in the then existing
1057 conservation and efficiency criteria established under Federal law.

1058 (d) At five year intervals, the Contractor shall revise its water conservation plan to
1059 reflect the then current conservation and efficiency criteria for evaluating water conservation plans
1060 established under Federal law and submit such revised water management plan to the Contracting

1061 Officer for review and evaluation. The Contracting Officer will then determine if the water
1062 conservation plan meets Reclamation's then current conservation and efficiency criteria for
1063 evaluating water conservation plans established under Federal law.

1064 (e) If the Contractor is engaged in direct groundwater recharge, such activity shall
1065 be described in the Contractor's water conservation plan.

1066 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1067 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
1068 Contract shall not be applicable to or affect non-project water or water rights now owned or hereafter
1069 acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such
1070 water shall not be considered Project Water under this Contract. In addition, this Contract shall not
1071 be construed as limiting or curtailing any rights which the Contractor or any water user within the
1072 Contractor's Service Area acquires or has available under any other contract pursuant to Federal
1073 Reclamation law.

1074 OPERATION AND MAINTENANCE BY SAN LUIS & DELTA-MENDOTA WATER
1075 AUTHORITY

1076 28. (a) The O&M of a portion of the Project facilities which serve the Contractor, and
1077 responsibility for funding a portion of the costs of such O&M, have been transferred to the San Luis
1078 & Delta-Mendota Water Authority, an Operating Non-Federal Entity by separate agreement (8-07-
1079 20-X0354) between the United States and Operating Non-Federal Entity San Luis & Delta-Mendota
1080 Water Authority. That separate agreement shall not interfere with or affect the rights or obligations
1081 of the Contractor or the United States hereunder.

1082 (b) The Contracting Officer has previously notified the Contractor in writing that

1083 the O&M of a portion of the Project facilities which serve the Contractor has been transferred to
1084 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, and therefore, the
1085 Contractor shall pay directly to Operating Non-Federal Entity San Luis & Delta-Mendota Water
1086 Authority, or to any successor approved by the Contracting Officer under the terms and conditions of
1087 the separate agreement between the United States and Operating Non-Federal Entity San Luis &
1088 Delta-Mendota Water Authority, described in subdivision (a) of this Article, all rates, charges, or
1089 assessments of any kind, including any assessment for reserve funds, which Operating Non-Federal
1090 Entity San Luis & Delta-Mendota Water Authority, or such successor determines, sets, or establishes
1091 for the O&M of the portion of the Project facilities operated and maintained by Operating Non-
1092 Federal Entity San Luis & Delta-Mendota Water Authority, or such successor. Such direct payments
1093 to Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, or such successor shall
1094 not relieve the Contractor of its obligation to pay directly to the United States the Contractor's share
1095 of the Project Rates, Charges, and Tiered Pricing Components except to the extent the Operating
1096 Non-Federal Entity collects payments on behalf of the United States in accordance with subdivision
1097 (a) of this Article.

1098 (c) For so long as the O&M of any portion of the Project facilities serving the
1099 Contractor is performed by Operating Non-Federal Entity San Luis & Delta-Mendota Water
1100 Authority, or any successor thereto, the Contracting Officer shall adjust those components of the
1101 Rates for Water Delivered under this Contract representing the cost associated with the activity being
1102 performed by Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, or its
1103 successor.

1104 (d) In the event the O&M of the Project facilities operated and maintained by
1105 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority is re-assumed by the
1106 United States during the term of this Contract, the Contracting Officer shall so notify the Contractor,
1107 in writing, and present to the Contractor a revised Exhibit "B" which shall include the portion of the
1108 Rates to be paid by the Contractor for Project Water under this Contract representing the O&M costs
1109 of the portion of such Project facilities which have been re-assumed. The Contractor shall, thereafter,
1110 in the absence of written notification from the Contracting Officer to the contrary, pay the Rates,
1111 Charges, and the Tiered Pricing Component specified in the revised Exhibit "B" directly to the
1112 United States in compliance with Article 7 of this Contract.

1113 OPERATION AND MAINTENANCE BY CALIFORNIA DEPARTMENT OF WATER
1114 RESOURCES
1115

1116 28.1 (a) The O&M of a portion of the Project facilities which serve the Contractor, and
1117 responsibility for funding a portion of the costs of such O&M, have been transferred to the California
1118 Department of Water Resources, an Operating Non-Federal Entity by a separate agreement (14-06-
1119 200-9755) between the United States and Operating Non-Federal Entity California Department of
1120 Water Resources. This separate agreement shall not interfere with or affect the rights or obligations
1121 of the Contractor or the United States hereunder.

1122 (b) The Contracting Officer has previously notified the Contractor in writing that
1123 the O&M of a portion of the Project facilities which serve the Contractor has been transferred to
1124 Operating Non-Federal Entity California Department of Water Resources, and the Contractor shall
1125 pay directly to Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, or to any
1126 successor approved by the Contracting Officer under the terms and conditions of the separate

1127 agreement between the United States and Operating Non-Federal Entity San Luis & Delta-Mendota
1128 Water Authority, described in subdivision (a) of Article 28 of this Contract, all rates, charges, or
1129 assessments of any kind, including any assessment for reserve funds, which Operating Non-Federal
1130 Entity California Department of Water Resources, or such successor determines, sets, or establishes
1131 for the O&M of the portion of the Project facilities operated and maintained by Operating Non-
1132 Federal Entity California Department of Water Resources, or such successor. Such direct payments
1133 to Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, or such successor shall
1134 not relieve the Contractor of its obligation to pay directly to the United States the Contractor's share
1135 of the Project Rates, Charges, and Tiered Pricing Components except to the extent the Operating
1136 Non-Federal Entity collects payments on behalf of the United States in accordance with the separate
1137 agreement identified in subdivision (a) of Article 28 of this Contract.

1138 (c) For so long as the O&M of any portion of the Project facilities serving the
1139 Contractor is performed by Operating Non-Federal Entity California Department of Water Resources,
1140 or any successor thereto, the Contracting Officer shall adjust those components of the Rates for
1141 Water Delivered under this Contract representing the cost associated with the activity being
1142 performed by Operating Non-Federal Entity California Department of Water Resources, or its
1143 successor.

1144 (d) In the event the O&M of the Project facilities operated and maintained by
1145 Operating Non-Federal Entity California Department of Water Resources is re-assumed by the
1146 United States during the term of this Contract, the Contracting Officer shall so notify the Contractor,

1147 in writing, and present to the Contractor a revised Exhibit "B" which shall include the portion of the
1148 Rates, Charges, and Tiered Pricing Component(s) to be paid by the Contractor for Project Water
1149 under this Contract representing the O&M costs of the portion of such Project facilities which have
1150 been re-assumed. The Contractor shall, thereafter, in the absence of written notification from the
1151 Contracting Officer to the contrary, pay the Rates, Charges, and Tiered Pricing Component(s)
1152 specified in the revised Exhibit "B" directly to the United States in compliance with Article 7 of this
1153 Contract.

1154 PUMPING PLANTS, POWER FOR PUMPING PLANTS, AND TRANSFER
1155 OF OPERATION AND MAINTENANCE TO THE CONTRACTOR

1156 28.2. (a) The United States shall furnish and install pumping plants and furnish the
1157 amount of Project power the Contracting Officer determines is necessary to deliver Project Water to
1158 the Contractor from the Delta-Mendota and San Luis Canals at the point(s) of delivery identified
1159 pursuant to subdivision (a) of Article 5 at heads and elevations sufficient to irrigate by gravity the
1160 areas within the Contractor's Service Area below 700 feet mean sea level elevation.

1161 (b) With advance approval of the Contracting Officer, the Contractor may, at its
1162 own expense, furnish and install pumping facilities, and related electrical equipment, to enable it to
1163 divert and deliver Project Water from the Delta-Mendota and San Luis Canals before the United
1164 States furnishes and installs all the pumping plants referred to in subdivision (a) of this Article. The
1165 United States shall furnish the amount of Project power needed to operate such pumping facilities;
1166 Provided, That the Contractor maintains an agreement with an entity to convey such power to such
1167 facilities, and the Contractor agrees to pay any and all charges assessed by that entity for such
1168 service.

1169 (c) The furnishing of power by the United States shall be in conformance with
1170 operating criteria, rules, and regulations, including the project use power policy, established by the
1171 Contracting Officer; Provided, That any such operating criteria, rules, and regulations, including the
1172 project use power policy, established by the Contracting Officer shall not excuse the United States
1173 from its obligation under subdivision (a) of this Article. Such operating criteria, rules, and
1174 regulations shall be developed in cooperation with the Contractor and shall be based on acceptable
1175 irrigation management practices and the power generation capacity available to the United States for
1176 the furnishing of Project water to the Contractor.

1177 (d) The Contractor hereby agrees to operate and maintain, at its own expense, all
1178 of the pumping facilities described in subdivisions (a) and (b) of this Article in such a manner that
1179 they remain in good and efficient condition; Provided, That the United States shall finance the costs
1180 of all major replacements that the Contracting Officer determines are needed.

1181 (e) The Contracting Officer or his representative shall at all times have access to
1182 and may inspect and investigate the pumping facilities for the purpose of ascertaining if they are
1183 being kept in safe and proper operating condition.

1184 (f) No change in any of the pumping facilities, which in the opinion of the
1185 Contracting Officer is substantial, shall be made by the Contractor without first obtaining the written
1186 consent of the Contracting Officer. The Contractor promptly shall make any and all repairs and
1187 replacements to the pumping facilities which in the opinion of the Contracting Officer are necessary.
1188 In the event the Contractor neglects or fails to make such repairs and replacements or in the event of
1189 operation by the United States of the pumping facilities pursuant to subdivision (i) of this Article, the

1190 United States may cause the repairs and replacements to be made and the cost thereof, as determined
1191 by the Contracting Officer, shall be paid by the Contractor to the United States upon notice of the
1192 payment due but not later than April 1 of the year following that during which such work was
1193 completed.

1194 (g) In the event the Contracting Officer determines that the Contractor has not
1195 properly cared for, operated, and maintained said pumping facilities or has failed to comply with any
1196 of the provisions of this Article, then at the election of the Contracting Officer the United States may
1197 take over from the Contractor the care and O&M of the pumping facilities by giving written notice to
1198 the Contractor of such election and the effective date thereof. Thereafter during the period of
1199 operation by the United States the Contractor shall pay to the United States in advance of the use of
1200 such pumping facilities the Contractor's share of the cost of O&M thereof and replacements
1201 therefore, as fixed in notices from the Contracting Officer. In the event such advances are inadequate
1202 to properly care for, operate, and maintain the pumping facilities to the end of any year, the
1203 Contracting Officer may give written notice of a supplemental O&M charge and the Contractor shall
1204 pay such amount on or before the date specified in said notice. Any amount of such advances
1205 remaining unexpended or unobligated, at the option of the Contractor, either shall be refunded or
1206 credited upon amounts to become due to the United States from the Contractor under the provisions
1207 of this Contract in subsequent years. The pumping facilities so taken back by the United States may
1208 be returned to the Contractor upon the furnishing to the Contractor of a written 90-day notice of
1209 intention to retransfer.

1210 (h) The Contractor shall hold the United States, its officers and employees

1211 harmless from every and all claim for damages to persons or property arising out of or connected
1212 with the Contractor's O&M of the pumping facilities referred to in this Article; Provided, That
1213 nothing contained herein shall be construed as an assumption of liability by the Contractor to parties
1214 other than the United States with respect to such matters.

1215 (i) During the time the pumping facilities are operated and maintained by the
1216 Contractor, in addition to all other payments to be made by the Contractor under this Contract, the
1217 Contractor shall pay to the United States pursuant to Article 25 hereof, costs incurred by the United
1218 States for work associated with the pumping facilities under this Contract normally charged by the
1219 United States to water users and properly and equitably chargeable to the Contractor.

1220 (j) The Contracting Officer may make review of any part or all of the pumping
1221 facilities being operated by the Contractor pursuant to this Article to assist the Contractor in
1222 assessing the condition of facilities and the adequacy of the maintenance program(s). The
1223 Contracting Officer shall prepare reports based on the examinations, inspections or audits, and
1224 furnish copies of such reports and any recommendations to the Contractor. The Contractor shall
1225 reimburse the actual cost

1226 incurred by the United States in making O&M examinations, inspections, and audits, and preparing
1227 associated reports and recommendations.

1228 (k) If deemed necessary by the Contracting Officer or requested by the Contractor,
1229 special inspections of the pumping facilities being operated by the Contractor and of the Contractor's
1230 books and records may be made to ascertain the extent of any O&M deficiencies, to determine the

1231 remedial measures required for their correction, and to assist the Contractor in solving specific
1232 problems. Any special inspection or audit shall, except in a case of emergency, be made after written
1233 notice to the Contractor and the actual cost thereof shall be paid by the Contractor to the United
1234 States.

1235 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1236 29. The expenditure or advance of any money or the performance of any obligation of the
1237 United States under this Contract shall be contingent upon appropriation or allotment of funds.
1238 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
1239 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
1240 or allotted.

1241 BOOKS, RECORDS, AND REPORTS

1242 30. (a) The Contractor shall establish and maintain accounts and other books and
1243 records pertaining to administration of the terms and conditions of this Contract, including: the
1244 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;
1245 the water users' land-use (crop census), land ownership, land-leasing and water use data; and other
1246 matters that the Contracting Officer may require. Reports thereon shall be furnished to the
1247 Contracting Officer in such form and on such date or dates as the Contracting Officer may require.
1248 Subject to applicable Federal laws and regulations, each party to this Contract shall have the right
1249 during office hours to examine and make copies of the other party's books and records relating to
1250 matters covered by this Contract.

1251 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
1252 records, or other information shall be requested from the Contractor by the Contracting Officer unless
1253 such books, records, or information are reasonably related to the administration or performance of
1254 this Contract. Any such request shall allow the Contractor a reasonable period of time within which
1255 to provide the requested books, records, or information.

1256 (c) At such time as the Contractor provides information to the Contracting Officer
1257 pursuant to subdivision (a) of this Article, a copy of such information shall be provided to the
1258 Operating Non-Federal Entity.

1259 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1260 31. (a) The provisions of this Contract shall apply to and bind the successors and
1261 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1262 therein shall be valid until approved in writing by the Contracting Officer.

1263 (b) The assignment of any right or interest in this Contract by either party shall not
1264 interfere with the rights or obligations of the other party to this Contract absent the written
1265 concurrence of said other party.

1266 (c) The Contracting Officer shall not unreasonably condition or withhold approval
1267 of any proposed assignment.

1268 SEVERABILITY

1269 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
1270 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
1271 association or other form of organization whose primary function is to represent parties to Project
1272 contracts, brings an action in a court of competent jurisdiction challenging the legality or
1273 enforceability of a provision included in this Contract and said person, entity, association, or
1274 organization obtains a final court decision holding that such provision is legally invalid or
1275 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
1276 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final court
1277 decision identify by mutual agreement the provisions in this Contract which must be revised and (ii)
1278 within three months thereafter promptly agree on the appropriate revision(s). The time periods
1279 specified above may be extended by mutual agreement of the parties. Pending the completion of the
1280 actions designated above, to the extent it can do so without violating any applicable provisions of

1281 law, the United States shall continue to make the quantities of Project Water specified in this
1282 Contract available to the Contractor pursuant to the provisions of this Contract which were not found
1283 to be legally invalid or unenforceable in the final court decision.

1284 RESOLUTION OF DISPUTES

1285 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
1286 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
1287 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
1288 any matter to the Department of Justice, the party shall provide to the other party 30 days' written
1289 notice of the intent to take such action; Provided, That such notice shall not be required where a
1290 delay in commencing an action would prejudice the interests of the party that intends to file suit.
1291 During the 30 day notice period, the Contractor and the Contracting Officer shall meet and confer in
1292 an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to
1293 waive or abridge any right or remedy that the Contractor or the United States may have.

OFFICIALS NOT TO BENEFIT

1294 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1295 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1296 manner as other water users or landowners.

1297 CHANGES IN CONTRACTOR'S SERVICE AREA

1298 35. (a) While this Contract is in effect, no change may be made in the Contractor's
1299 Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise,
1300 except upon the Contracting Officer's written consent.

1301 (b) Within 30 days of receipt of a request for such a change, the Contracting
1302 Officer will notify the Contractor of any additional information required by the Contracting Officer

1303 for processing said request, and both parties will meet to establish a mutually agreeable schedule for
1304 timely completion of the process. Such process will analyze whether the proposed change is likely
1305 to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability of
1306 the Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-
1307 constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project
1308 Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply with
1309 the NEPA and the ESA. The Contractor will be responsible for all costs incurred by the Contracting
1310 Officer in this process, and such costs will be paid in accordance with Article 25 of this Contract.

FEDERAL LAWS

1311 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1312 validity or application in connection with the performance of the terms and conditions of this
1313 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1314 terms and conditions of this Contract unless and until relief from application of such Federal law or
1315 regulation to the implementing provision of the Contract is granted by a court of competent
1316 jurisdiction.

NOTICES

1317
1318 37. Any notice, demand, or request authorized or required by this Contract shall be
1319 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1320 to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, CA 93721, and on
1321 behalf of the United States, when mailed, postage prepaid, or delivered to the Board of Directors of
1322 the San Luis Water District, 1015 6th Street, Los Banos, California 93635. The designation of the
1323 addressee or the address may be changed by notice given in the same manner as provided in this
1324 Article for other notices.

CONFIRMATION OF CONTRACT

1325
1326 38. The Contractor, after the execution of this Contract, shall promptly seek to secure a
1327 decree of a court of competent jurisdiction of the State of California, confirming the execution of this
1328 Contract. The Contractor shall furnish the United States a certified copy of the final decree, the
1329 validation proceedings, and all pertinent supporting records of the court approving and confirming
1330 this Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor.

1331 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1332 year first above written.

1333 THE UNITED STATES OF AMERICA

1334 By: _____
1335 Regional Director, Mid-Pacific Region
1336 Bureau of Reclamation

1337 (SEAL)

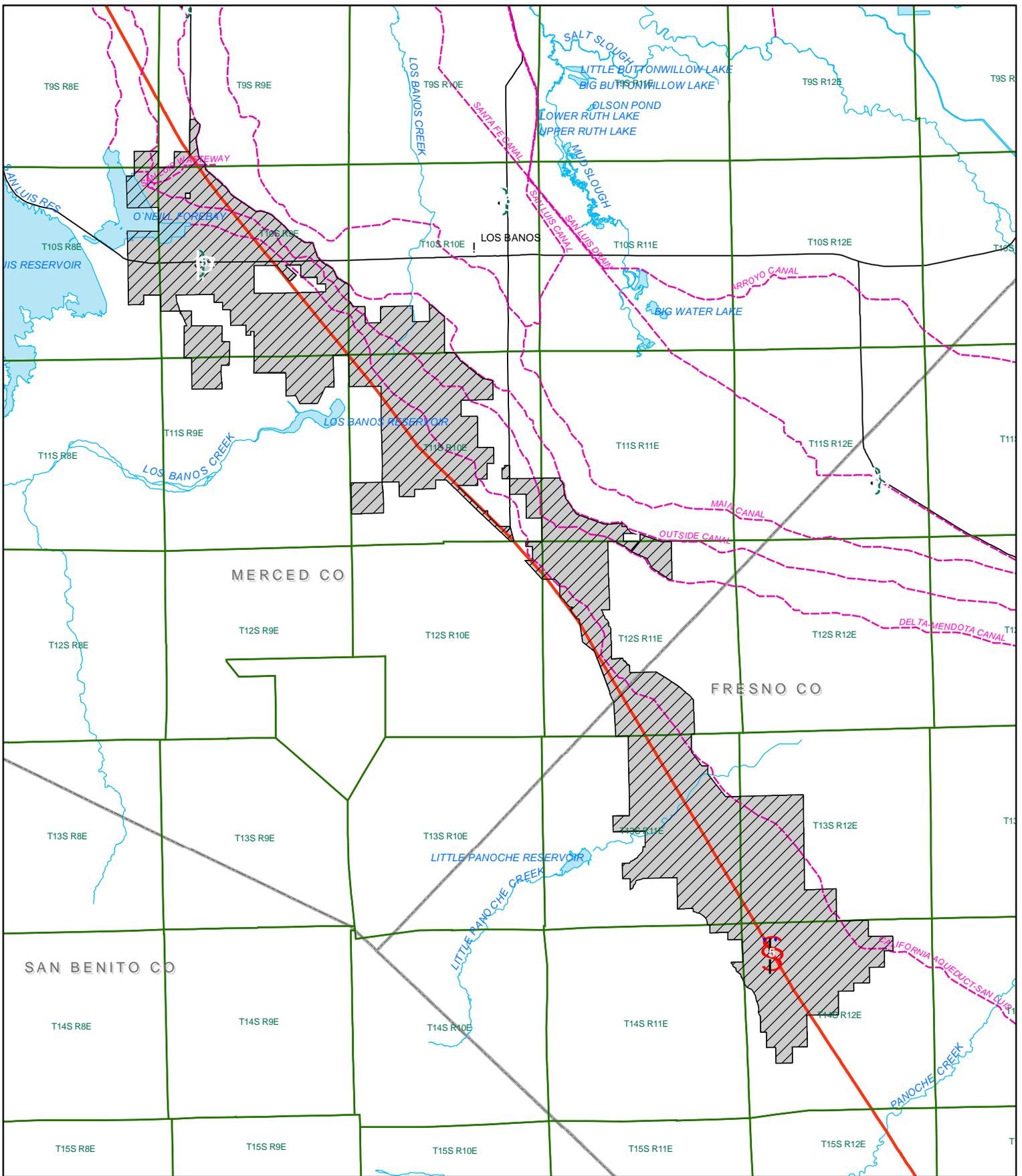
1338 SAN LUIS WATER DISTRICT

1339 By: _____
1340 President of the Board of Directors

1341 Attest:

1342 By: _____
1343 Secretary of the Board of Directors

1344 (H:\pub 440\LTRC\Final Draft LTRC's – Fresno, Tracy\10-22-04 San Luis WD Final Draft LTRC
1345 with exhibits.doc)



San Luis Water District

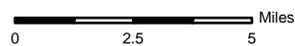


EXHIBIT B
SAN LUIS WATER DISTRICT
Water Rates and Charges

	<u>2004 Rates Per Acre-Foot</u>		
	<u>Irrigation Water</u>	<u>Irrigation Water</u>	<u>M&I Water</u>
COST-OF-SERVICE (COS) RATES:	SLC	DMC	
Capital Rates:	\$19.80	\$10.50	(\$10.97)
O&M Rates:			
Water Marketing	\$7.59	\$7.59	\$5.01
Storage	\$5.83	\$5.83	\$6.38
Conveyance	*		*
Direct Pumping (Project Use Energy)	\$2.51		
Tracy Pumping	*		*
San Luis Drain			
Deficit Rates:			
Non-Interest Bearing			
Interest Bearing			
<u>TOTAL COST-OF-SERVICE RATES (COS):</u>	\$35.73	\$23.92	\$15.00
<u>M&I FULL-COST RATE:</u>			(\$6.47)
<u>FULL-COST RATES:</u>			
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	\$53.54	\$35.56	
<u>205 FULL-COST RATES:</u>			
Section 205(a)(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	\$63.99	\$42.63	
Tiered Pricing Component >80% <=90% of Contract			
Total [Full Cost Rate - COS Rate /2]:			
Tiered Pricing Component >90% of Contract			
Total [Full Cost Rate - COS Rate]:			
SURCHARGES UNDER P.L. 102-575 TO RESTORATION FUND**	\$7.82	\$7.82	\$15.64

* Conveyance and Conveyance Pumping Operation and maintenance costs were removed for ratesetting purposes and are to be billed directly to the water authorities.

** The surcharges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund surcharges under P.L. 102-575 are on a fiscal year basis (10/1-9/30).